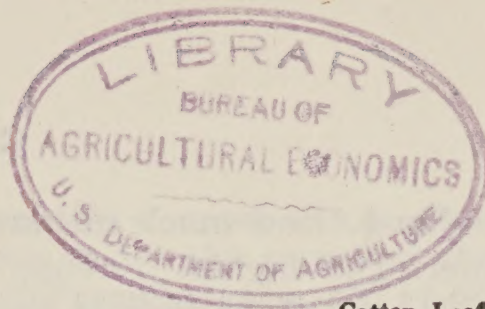


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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D. C.

FOREIGN COTTON PRODUCTION AND THE AMERICAN MARKETS ABROAD

THE SITUATION SUMMARIZED

Summarizing the foreign production and market outlook, the following conclusions are emphasized:

1. American cotton farmers have natural advantages for cotton production which are not now equalled anywhere else in the world.
2. American growers' economic stake in foreign markets is vital because nearly 60 percent of their crop ordinarily is sold abroad.
3. Abandonment of American production and price control measures and the probability of recurrence of 1932-33 price levels for the entire crop would not assure the maintenance of foreign markets for American cotton.
4. Maintenance of foreign markets for American cotton primarily is dependent upon the ability of foreign cotton-consuming countries to purchase and pay for United States exports of cotton. Related factors include: (1) The level of business activity abroad, (2) shifts in textile activity from Europe to the Orient, (3) the price and supply of American cotton relative to the prices and supplies of foreign cottons, and (4) trade agreements among other nations and exchange restrictions.
5. The ability of foreign customers to buy and pay for American cotton depends in a greater degree than ever before upon the amount of goods and services that this country will accept from them in exchange.
6. Foreign countries which are unable to sell goods and services to the United States are either (1) turning for their cotton to other cotton-exporting nations which will accept imports, (2) seeking to develop their own production of cotton or cotton substitutes, or (3) enforcing outright restrictions on total imports.
7. The American cotton farmers' future income depends, first, upon production control to avoid piling up new surpluses and to maintain fair prices; second, upon increased buying power of American consumers; and, third, upon revival of foreign trade with the United States.

I. FOREIGN COTTON PRODUCTION

Question 1. How many foreign countries grow cotton?

Answer. More than 50 countries produce cotton to some extent. Cotton growing is an established part of the agriculture of Egypt, India, and China. The history of cotton in India goes back to 800 B. C., more than 2,000 years before the discovery of America.

Question 2. What are the principal foreign cotton-producing countries?

Answer. India, China, Russia, Egypt, and Brazil.

Question 3. Do all foreign producing countries export cotton?

Answer. India and Egypt are the principal exporting foreign countries. Brazil exports some. Russia and China export little and import some.

Question 4. How much cotton do foreign countries produce?

Answer. The highest foreign production in any one year is 13,000,000 bales in the 1933-34 season. In the highest previous year, 1928-29, about 12,400,000 bales were produced. The lowest production in the last 5 years was 10,405,000 bales in 1931-32.

Question 5. Has acreage in foreign countries expanded rapidly?

Answer. No. Both production and consumption in foreign countries have been slowly expanding for generations. A part of the recent apparent increased acreage in Russia was a return to cotton growing that followed the decrease during the World War. Egypt also recently has been returning lands to cotton production, following relaxation of legal restrictions on cotton acreage.

Question 6. Was the increase in foreign acreage in the 1933-34 season due to decreased supplies of American cotton?

Answer. No. The foreign acreage increase for the 1933-34 season was planted in a year in which supplies of American cotton rose to 26 million bales, exceeding any supply on record prior to 1932-33. When the increased foreign acreage was planted, American cotton was selling for 6.5 cents per pound. Foreign acreage increased in the 1933-34 season to more than 4 million acres over that of 1932-33.

Question 7. Was the increased acreage in foreign countries in the 1933-34 season due to the plow-up campaign in the United States?

Answer. On the contrary, most of it was either planted or planned before the plow-up campaign was contemplated. Foreign producers increased, as did American producers, because as prices declined cotton farmers everywhere were forced to increase their volume in an attempt to maintain income. Low-priced cotton in the 1930-31, 1931-32, and 1932-33 seasons, therefore, did not cause foreign countries to decrease their production in any material degree.

Question 8. Will there be a large supply of foreign cotton for the 1934-35 season?

Answer. Yes. The carry-over of foreign cotton for the 1934-35 season probably will be the largest in history, and 1934 production in foreign countries probably will be near record levels.

Question 9. Why is the foreign cotton market vital to the American cotton grower?

Answer. Because normally about 60 percent of the American cotton crop is sold in foreign markets.

Question 10. Are American producers of cotton willing to enter into competition on a price basis with foreign cotton producers if this appears necessary to maintain world markets for American cotton?

Answer. In determining the answer to this question, cotton producers should consider the probable social cost involved in an international price competition for foreign markets. Starvation prices and low income from cotton have not always in the past prevented increases in foreign cotton production. Foreign producing countries increased cotton production even when American cotton was selling at from 5 to 6 cents per pound.

Question 11. If cotton producers are assured of a parity return on about 40 percent of their crop under the terms of the Agricultural Adjustment Act, should the remainder be sold on the basis of price competition in the world market without regard to controlled production?

Answer. It is possible under the Agricultural Adjustment Act to assure producers a fair price for that portion of their cotton that is domestically consumed. If control were relaxed, there is, however, the added possibility of undue expansion of acreage within the United States that would increase world supplies and create a situation in which stocks of American cotton might be even greater than the record supplies of 26,000,000 bales in 1931 and 1932. Moreover, if all the cotton that the foreign consuming centers could use were offered at a price which they were willing to pay, the ability of these foreign customers to purchase American cotton still would be limited by the amount of American exchange they could obtain. Therefore, the American cotton farmer would not have the assurance that all the cotton he produced for world markets could be sold.

Question 12. How may producers be assured of a fair return on the 40 percent of their crop that ordinarily moves into domestic consumption?

Answer. The Agricultural Adjustment Act, with its processing tax device, affords a mechanism whereby cotton farmers may receive payments representing the difference between the market price and the fair exchange or parity value on that portion of the cotton crop that is consumed domestically. The level of domestic consumption of cotton is closely related to the level of industrial production, and both depend upon consumer purchasing power.

Question 13. What countries are the largest buyers of American cotton?

Answer. England, Japan, Germany, France, and Italy.

Question 14. Do these countries produce cotton?

Answer. Not within their own boundaries. Although India and Egypt are closely associated with the British Crown, England's commercial relationships with these cotton-producing countries do not indicate any marked trade preference for Indian or Egyptian cotton. As a matter of fact, England ordinarily consumes more American cotton than the combined total sold her by all other countries.

Question 15. What is to prevent England, Japan, Germany, France, and Italy from maintaining, in the future, their customary purchases of American cotton?

Answer. The supply of American cotton is ample to meet their usual requirements. The price is not so high as it has been when these countries purchased large quantities of American cotton in the past. For example, England purchased more than 2 million bales of American cotton annually, from the 1924-25 season through the 1926-27 season. The price averaged more than 18 cents per pound for the three seasons. The quantity of American cotton these countries will take during the current season or during future seasons appears to be limited, not primarily by price or production policies

of the United States, but by the quantity of goods purchased from these countries by the United States. If they are to buy American cotton, these countries must obtain dollars with which to pay for it. Unless they can obtain dollar exchange, these countries are compelled to buy from countries with which they have favorable exchange balances. This situation becomes increasingly important to the American cotton producer because of the large supply of foreign cotton. One economist in the cotton trade recently said that world markets are being lost to American cotton producers "not because the high price of cotton encourages foreign cotton production, but because foreign consumers can no longer obtain dollars with which to pay for United States produced cotton."

II. TRADE POLICIES AFFECTING COTTON

Question 16. Will trade policies of other countries influence the amount of American cotton exported?

Answer. Under a trade agreement between India and Japan, Japan buys annually $1\frac{1}{2}$ million bales of India's cotton in return for permission to sell 400 million yards of cotton piece goods to India. This represents, for at least the amount of Indian cotton that will be substituted for American cotton, a foreign market closed to cotton producers of this country, irrespective of any production policy in the United States. A Japanese boycott on Indian cotton ended when Japan entered into this agreement.

Germany has been unable to obtain sufficient trade balance to buy customary cotton supplies and has placed a restriction on imports, which would amount to a decrease of 500,000 bales of cotton a year. Germany is seeking trade agreements to overcome this.

In the 1933-34 season, Germany consumed more than 1,000,000 bales of American cotton, or about 8 percent of the total American crop. Recently representatives of the German cotton importers have been in the United States, seeking some means of increasing their country's exports to the United States in order to obtain dollar exchange with which to pay for American cotton. These representatives stated that German purchases of American cotton probably would decline more than 50 percent unless Germany is permitted to sell more products to the United States. Meantime, Germany is engaged in an extensive development of synthetic fibers. Unless German spinners are able to obtain American cotton, these fibers may be permanently substituted for uses which formerly required quantities of American cotton.

Poland and Italy are reported to be seeking trade agreements with other cotton-producing countries whereby they can exchange goods or services for cotton. Brazil and China have tariffs on cotton. Brazil also has had a plan of granting advantage in foreign exchange to cotton for export, which is equivalent to an export bounty.

Official and semiofficial British agencies have stimulated cotton growing in India, Egypt, the Sudan, and Australia by various financing and other plans, and probably will continue to do so regardless of the kind of cotton-adjustment program that is undertaken in the United States.

III. THE PRODUCTION OUTLOOK IN FOREIGN COUNTRIES

Question 17. What is the outlook for increased acreage in the principal cotton-producing countries?

Answer. The situation in five countries is described in the following paragraphs:

INDIA: Cotton acreage in India has ranged from 11,885,000 acres in 1899 to 28,403,000 acres in 1925. A good many sections of India, which now produce food for their own needs, might plant larger acreages in cotton and then import food if better transportation facilities were available and if the price of cotton warranted increases in its production. The lack of adequate transportation is a major handicap to such a course.

Better farming and ginning machinery would increase yields and would also tend to increase acreage. However, in India there are in cultivation less than 1.5 acres per capita, as compared to 3.4 acres per capita in the United States. Food shortage is a constant threat. The Indian farmer is forced to provide his own food. With the slow development of agricultural methods, planting more cotton would mean producing less food for India's millions.

The fact that India's acreage has remained about 4,000,000 acres below the peak of 1925 is evidence that Indian farmers see no incentive for increasing their cotton acreage. A given acreage increase in India is less significant than the same change in acreage in the United States, because the average yield of lint cotton per acre is only about 80 pounds in India as compared with an average of about 170 pounds in the United States. Some parts of India, principally in the north, depend on irrigation almost entirely in cotton production. India planted a somewhat larger cotton acreage in the 1913-14 and 1914-15 seasons than in the 1933-34 season.

EGYPT: During the last 40 years, Egypt's annual cotton acreage has fluctuated between 1,036,000 in 1895 and 2,162,000 acres in 1930, or by more than 1,000,000 acres.

In 1932 the acreage was 1,135,000, while the 1933 acreage increased to 1,873,000, or by about 65 percent. The increase in Egyptian acreage in 1933 may be attributed largely to modification of Egyptian laws restricting cotton acreage. These modifications were made before the United States 1933 cotton program was contemplated. The fluctuations indicate that within certain limits the Egyptian farmer can and will shift his cotton acreage when conditions seem to justify. However, the past cotton acreage has only twice exceeded 2,000,000 acres. An important factor in Egyptian production is a current shift by farmers in Egypt from long-staple varieties to higher-yielding but shorter-stapled varieties similar to those grown in the Mississippi Delta. The yield of Egyptian cotton averaged 410 pounds of lint per acre in the period from 1928 to 1932, inclusive.

On the basis of past conditions, the 2,162,000 acres planted in 1930 would seem at present to be about the practical limit of the Egyptian cotton area. Planting more acreage would be at the expense of food and feed crops and would not be generally practiced by farmers of that country without extensive changes in their present economic arrangements.

To establish permanent acreage beyond the apparent limit of Egypt's present cotton area would require reclaiming a part of the 2 million acres of waste land by extension of the Egyptian irrigation and drainage system. Reclaiming the entire waste area would require 25 years and would cost more than 200 million dollars. Low cotton prices discourage such expenditures for expansion.

RUSSIA: Russia planted 4,843,000 acres to cotton in 1934, or a fraction of 1 percent less than in 1933. Cotton acreage in Russia has shown little response to world supplies and prices.

Cotton production in Russia is handicapped because the majority of her spindles are 1,500 to 2,500 miles from the Russian cotton-producing area. Also Russia's cotton program has forced the Government to transport foodstuffs about 1,000 miles to the cotton area, with inadequate transportation facilities. A considerable amount of the Russian crop is produced under irrigation and with a short growing season. These factors limit future cotton production in Russia.

There is some indication that Russia may again become an extensive importer of cotton. The Russian Government has announced a plan for providing the people with more clothing in the near future. Present Russian consumption is 5 pounds of cotton per capita per year. The United States annually uses more than 24 pounds per capita. It has been reported that 3 million new cotton spindles will be installed in Russia by the end of 1934. Any future increase in Russian cotton production probably will be offset by increased per capita consumption.

CHINA: China has a considerable acreage suited to cotton production, and has an abundance of labor. But China is handicapped seriously by lack of adequate transportation, which makes the marketing of cotton difficult since many isolated areas must grow their own food and feed supplies.

Nevertheless cotton acreage in China has increased. More than 6 million acres were grown in 1933, and the estimated increase in acreage in 1934 is nearly 10 percent. The increase in acreage has been gradual and future expansion apparently also will be gradual.

Reports indicate that the 1934 crop will show an increased proportion of short-staple cotton. An effort toward production of medium-staple varieties is being made.

BRAZIL: The cotton-growing region of Brazil is divided into two well-defined areas, southern and northern. In the southern area American upland cotton is grown almost exclusively, and it is there that production has increased rapidly in recent years. Production in southern Brazil was 228,000 bales in 1924-25, but gradually decreased to 45,000 bales in 1928-29. From this low point the production from this area increased to over 500,000 bales in 1933-34. The total production of Brazil for the 1933-34 season is approximately 1,000,000 bales.

Sao Paulo is the leading cotton-growing State in the southern area of Brazil. Many unoccupied localities with favorable cotton climate, soil, and topography are available there. The area is similar to the piedmont area of southeastern United States.

Several factors limit possibilities of immediate rapid expansion of production in Brazil.

Coffee is the chief cash crop of southern Brazil. Cotton competes directly with the coffee crop. When cotton prices are high in relation to coffee prices, the acreage of cotton will increase. Available labor supplies at present seem insufficient to produce large crops of both cotton and coffee simultaneously. Any improvement in coffee prices would tend to restrict cotton acreage, and continued low relative coffee prices would stimulate cotton growing.

Conditions in the northern area differ greatly from those in the southern area. Brazilian tree cotton is grown on most of the cotton acreage of the northern area. This cotton lives from 7 to 10 years but the yield in any one season depends largely on the rainfall. This area is semiarid. When rainfall in January and February is adequate, increased acreages are planted and old plantings are cleared up and cultivated. Uncertainty of rainfall and scarcity of labor are factors limiting increases in cotton in northern Brazil.

For more detailed information see your committeeman, teacher of vocational agriculture, or county agent.

SELECTED COTTON STATISTICS—AMERICAN, FOREIGN, AND WORLD

[000 omitted]

	1920-21	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35 ¹
<i>American</i>															
American production ² -----	13,429	7,945	9,755	10,140	13,630	16,105	17,978	12,956	14,477	14,825	13,932	17,095	13,001	13,047	9,443
World carry-over of American cotton ³ -----	6,338	9,393	5,162	3,304	2,705	3,386	5,495	7,696	5,114	4,421	6,287	8,863	12,960	11,588	10,634
World supply of American cotton ⁴ -----	19,767	17,338	14,917	13,444	16,335	19,491	23,473	20,652	19,591	19,246	20,219	25,963	25,961	24,635	19,886
United States consumption of American cotton ² -----	4,677	5,613	6,322	5,353	5,917	6,176	6,880	6,535	6,778	5,803	5,034	4,744	6,004	5,554	-----
Foreign consumption of American cotton ² -----	5,353	7,142	6,343	5,747	7,353	7,560	8,897	8,872	8,288	7,212	5,817	7,572	8,167	7,985	-----
World consumption of American cotton ² -----	10,035	12,755	12,665	11,100	13,270	13,736	15,777	15,407	15,066	13,015	10,901	12,316	14,171	13,539	-----
<i>Foreign</i>															
Foreign production ² -----	7,671	7,455	9,545	9,560	11,370	11,795	10,422	11,044	12,323	11,075	11,868	10,405	10,699	13,053	-----
World carry-over of foreign cotton ³ -----	4,847	4,381	4,474	3,565	3,297	3,550	3,989	3,861	4,543	4,655	4,994	4,766	3,994	4,447	5,435
World supply of foreign cotton ³ -----	12,518	11,836	14,019	13,125	14,667	15,345	14,411	15,005	16,866	16,330	16,862	15,171	14,693	17,500	-----
United States consumption of foreign cotton ² -----	216	281	299	252	224	225	251	235	245	249	155	100	106	116	-----
Foreign consumption of foreign cotton ² -----	7,349	8,129	9,178	9,071	9,814	10,726	10,110	9,898	10,561	11,937	11,425	9,903	10,076	11,439	-----
World consumption of foreign cotton ² -----	7,565	8,410	9,477	9,323	10,038	10,951	10,361	10,133	10,806	12,186	11,580	10,003	10,182	11,555	-----
<i>World</i>															
World production ² -----	21,100	15,400	19,300	19,700	25,000	27,990	28,400	24,000	26,800	26,500	25,800	27,500	23,700	26,100	-----
World carry-over ⁴ -----	11,185	13,774	9,636	6,809	6,002	6,936	9,484	11,557	9,657	9,076	11,281	13,634	16,954	16,035	16,069
World supply ⁴ -----	32,285	29,174	28,936	26,509	31,002	34,836	37,884	35,657	36,457	35,576	37,081	41,134	40,654	42,135	-----
World consumption ² -----	17,600	21,165	22,142	20,423	23,308	24,687	26,138	25,540	25,572	23,201	22,481	22,319	24,353	25,094	-----

From information compiled by the Bureau of Agricultural Economics.

¹ Preliminary.

² 478-pound bales.

³ Running bales.

⁴ Mixed bales.

OCTOBER 26, 1934.